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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking into Policies to
Promote a Partnership Framework between
Energy Investor Owned Utilities and the Water
Sector to Promote Water-Energy Nexus
Programs.

Rulemaking 13-12-011
(Filed December 19, 2013)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC
COMPANY (U39M) IN RESPONSE TO ASSIGNED
COMMISSIONER'S RULING REQUESTING COMMENTS
TO SUPPORT INTEGRATION OF THE EMBEDDED
COST OF NATURAL GAS INTO THE WATER-ENERGY
COST CALCULATOR**

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I. INTRODUCTION AND SUMMARY

On August 3, 2016, Commissioner Sandoval issued the *Assigned Commissioner’s Ruling Requesting Comments to Support Integration of the Embedded Cost of Natural Gas into the Water-Energy Cost Calculator*. The Ruling invited comments on how to calculate and integrate the indirect natural gas energy needed to move and treat water into the Water-Energy Cost-Effectiveness Calculator adopted in Decision (D.)15-09-023. Pacific Gas and Electric Company (PG&E) and four other parties filed opening comments.^{1/} PG&E noted that attempts to include natural gas savings in the Water-Energy Cost-Effectiveness Calculator would not yield significant benefits, that operationalizing the Water-Energy Cost-Effectiveness Calculator as it exists today should be the highest priority, and that continued improvement in the databases, upload templates, and overall process for calculating and tracking the embedded energy savings through already identified strategies would be beneficial.

^{1/} Opening Comments were also filed by the Metropolitan Water District of Southern California, Utility Consumers Action Network (UCAN), jointly by Association of California Water Agencies (ACWA) and California Municipal Utilities Association (CMUA), and jointly by San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) which are referred to as the “Joint Utilities.”

The opening comments of Utility Consumers' Action Network (UCAN) appear to suggest certain revisions to the Water-Energy Cost-Effectiveness Calculator. As explained below, this would result in the double counting of savings, which the calculator must avoid.

II. DISCUSSION

UCAN raised the issue of accounting for the natural gas used for electricity production in its response to Question 2: "The current [Assigned Commissioner Ruling] ACR calls for adding avoided natural gas capacity and O&M costs as well as embedded natural gas in water use. This is a reasonable next step so that the Navigant [water-energy nexus] WEN [cost-effectiveness] CE Calculator Model can address the impact of water savings on both electricity and gas energy efficiency measures." This language could be interpreted as a request to address how gas and electricity consumption is impacted by water efficiency, which is not the purpose of the Water-Energy Cost-Effectiveness Calculator. However, in the context of this proceeding, UCAN may be requesting the Commission to include the cost of natural gas in the Water-Energy Cost-Effectiveness Calculator. This proposal should be rejected because it would result in a faulty double counting of the energy savings from water conservation.

Source energy used to produce electricity is already accounted for in the E3 Avoided Cost Calculator, the E3 Cost-Effectiveness Calculator,^{2/} and the Water-Energy Cost-Effectiveness Calculator itself. Both the 2011 and 2016^{3/} versions of the Avoided Cost Calculator assume that natural gas-fired electric generation is on the margin, which means that the cost of natural gas has been incorporated in the Avoided Cost Calculator model. Output from the Avoided Cost Calculator is used to value the energy used or saved by water consumption. This means that the Water-Energy Cost-Effectiveness Calculator incorporates the reduced consumption of natural gas, as modeled by the Avoided Cost Calculator, when it displays the

^{2/} Background on avoided costs and cost effectiveness can be found at: <http://www.cpuc.ca.gov/General.aspx?id=10710> and <http://www.cpuc.ca.gov/General.aspx?id=5267>

^{3/} Details on these calculators can be found at the links in footnote 1 above.

savings due to reduced water consumption. Thus, separate accounting of the natural gas used to generate electricity alongside the electricity in the Water-Energy Cost-Effectiveness Calculator would result in a double counting of the benefits of these programs.

There may be upstream uses of natural gas for pumping and treatment of water and wastewater that are not captured in the current framework that could be identified by the SoCal Gas study mentioned in the Joint Utilities' comments.^{4/} However, until these uses have been identified, the CPUC should not move forward with incorporating any direct natural gas effects into the Water-Energy Cost-Effectiveness Calculator.

III. CONCLUSION

PG&E appreciates the opportunity to provide these reply comments to inform next steps for the Water-Energy Cost-Effectiveness Calculator and looks forward to working with the CPUC and other stakeholders on these important issues.

Respectfully submitted,

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^{4/} See comments of Joint Utilities, responses to Questions 1 and 4.